

**Agreed Upon Procedures for
Fiscal Years 2003 through 2005**

November 2003

Reference Number: 2004-1C-015

This report has cleared the Treasury Inspector General For Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 12, 2003

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

FROM: Daniel R. Devlin *Daniel R. Devlin*
Assistant Inspector General for Audit (Headquarters Operations
and Exempt Organizations Programs)

SUBJECT: Agreed Upon Procedures for Fiscal Years 2003 through 2005
(Audit #20041C0208)

In response to your request, the Defense Contract Audit Agency (DCAA) applied agreed upon procedures to the contractor's cost plus fixed fee proposal for the contractor's Fiscal years 2003 through 2005. The purpose of the engagement was to apply agreed upon procedures to the contractor's proposed direct labor rates and indirect rates. The report pertains only to the performance of the agreed upon procedures. The DCAA did not perform an examination and, therefore, does not express an opinion.

The DCAA indicated that the contractor's proposed overhead and general and administrative indirect rates are significantly higher than the verified indirect rates. The DCAA stated the contracting officer may wish to consider indirect rate ceilings to protect the Government from potential cost over runs in the option years.

The DCAA also verified the proposed direct labor rates and identified some differences. The differences are based on a comparison between proposed direct labor rates and contractor payroll information as of September 17, 2003, and rates proposed by the Economic Research Institute's Salary Assessor. The DCAA noted that direct labor rates could be higher should different employees within the proposed labor categories perform on the contract.

The information in this report should not be used for purposes other than those intended without prior consultation with the Treasury Inspector General for Tax Administration regarding their applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director at (202) 927-7077.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 U.S.C. § 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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